

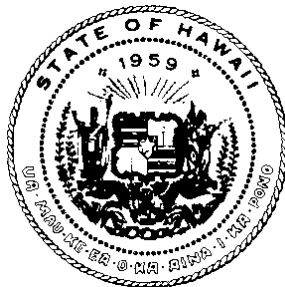
REPORT TO THE TWENTY-THIRD LEGISLATURE

STATE OF HAWAII

2005

PURSUANT TO HOUSE CONCURRENT RESOLUTION 214

**Requesting The Housing And Community Development
Corporation Of Hawaii To Explore Home Ownership Options And
Study The Feasibility Of Implementing A Housing Demonstration
Project At Hauiki Homes And Other State-Owned And Operated
Housing Projects.**



Prepared By:

**HOUSING AND COMMUNITY DEVELOPMENT
CORPORATION OF HAWAII**

Introduction

House Concurrent Resolution (HCR) 214 tasked the Housing and Community Development Corporation of Hawaii (HCDCH) with working with the residents of Hauiki Homes, and their representative, Kokua Legal Services, Inc. to explore homeownership options. This report to the Legislature summarizes the HCDCH's efforts to respond to this legislative request.

Discussion

Hauiki Homes is a state-aided public housing project located in Kalihi, Hawaii. It consists of 46 rental units. Of those, 20 are two-bedroom units, 16 are three-bedroom units, and 10 are four-bedroom units. Hauiki Homes is located on ceded lands.¹

At their July 15, 2004 meeting, the HCDCH Board of Directors was briefed on HCR 214. Mr. Jory Watland, of Kokua Legal Services, Inc., addressed the Board regarding the residents' desire to acquire Hauiki Homes. The HCDCH Board expressed their support of general homeownership activities for all public housing residents.

On September 28, 2004, the HCDCH requested that Kokua Legal Services, Inc. submit a written proposal describing their plan to acquire Hauiki, and for residents to purchase and maintain their units. The HCDCH requested that the written proposal include the following information:

1. An offer to purchase the project in fee simple or leasehold
2. The financing source(s) to purchase and renovate Hauiki Homes
3. The number and percentage of households who are interested in purchasing a unit
4. The number and percentage of households who are qualified to purchase a unit
5. A timetable for the proposed acquisition of Hauiki Homes.

Kokua Legal Services, Inc provided the requested written proposal on October 12, 2004. The offer was contingent upon Kokua Legal Services, Inc. obtaining financing for the purchase price, for homeownership counseling expenses, bringing the property up to City Building Code requirements, acquiring a first mortgage from a commercial lender, and obtaining financing through applications to the City for the Federal HOME and Community Development Block Grant funds. The written proposal did not include information indicating that they had in fact entered into discussions with any of these parties to arrange financing.

Only 29 households out of the 46 units at Hauiki Homes, or 63 percent, desire to pursue homeownership at this time. However, the proposal does not state how many of those 29 households are qualified to purchase a unit, or how they would be prepared to finance, purchase or maintain their units. The proposal also does not include the requested information on a timeline for the proposed acquisitions of Hauiki Homes.

¹ In Office of Hawaiian Affairs v. Housing Finance Development Corp., 1CC94-0-004207 (Dec. 5, 2002), Circuit Court Judge Sabrina McKenna held that ceded lands could be alienated by the State, but that there was a "high standard of fiduciary duty" owed to the beneficiaries of the ceded lands trust. Accordingly, when transferring such lands, the State has a duty to obtain the highest possible value for the transaction. As of the time this report was completed, this case remains on appeal to the Hawaii Supreme Court.

On November 30, 2004, the HCDCH formally requested an extension of time to consider Kokua Legal Services' letter of intent. The agency is undertaking an asset management study which is anticipated to be concluded in Spring 2005. Decisions regarding the sale of HCDCH properties like Hauiki Homes will be made within the context of the study results.

Conclusion

The HCDCH generally supports home ownership. It strengthens families and communities. The HCDCH will continue to work with Kokua Legal Services to obtain the requested information, and will make its decision in the context of the findings of its asset management study.